

Orlando has one of the most dynamic economies in the Southeast, fueled by steady in-migration and a fast pace of population growth. Its economy benefits from a growing roster of tech and fintech tenants and the established and expanding defense sector, as well as the presence of world-renowned theme parks.

The Orlando office market has held up relatively well compared to many key metros across the country. The current vacancy rate of 8.2% has held relatively steady over the last year, and it's well below its historical high of 14.4% following the last economic downturn. Rents are up 2.7% over the trailing 12-month period to a current \$27.51/SF. The metro has been significantly outpacing overall US rent growth, which is anemic at 1.0%. Looking ahead, rent growth is expected to decelerate to the 2% range during 2023.

According to Google mobility data in September 2022, workplace occupancy was down by as much as 38% in Orlando. Moving forward, many office occupiers will continue to evaluate their true space needs, and hybrid work trends are expected to force a drag on overall vacancy in the year ahead. A moderate downside forecast, which is linked to more widespread work from home trends that will ultimately weigh on demand formation, has Orlando closer to 10% by the end of 2023. Net absorption of space is projected to decline during that time as office demand tapers once companies establish their long-term hybrid work strategies.

While vacancy rate had been incrementally falling for several successive quarters, it began to rise during 22Q3 and is expected to continue on an upward trajectory through the end of 2024 as office occupancies are expected to fall due to increasing hybrid and remote workforce trends.

Vacancy has remained flat over the last year at 8.2% following several successive quarters where it has hovered in the 8% range, and it remains well below the National Index vacancy rate of 12.5%. New supply has compounded the issues as Orlando has seen roughly 655,000 SF delivered over the past 12 months with another 1.4 million SF currently under construction.

Moving into 2023, the continued downsizing of many tenants combined with a general slowing in anticipated demand is going to lead to a lingering, slow recovery.

Sales volume over the last year has been healthy and total office investment activity during 2022 had already exceeded total sales volume for 2020 by the end of the third quarter. Looking ahead, many potential buyers are likely to remain on the sidelines well into 2023 until the Fed ceases raising interest rates, and therefore investment volume for the first half of 2023 is expected to be more muted.

Key economic indicators show strength even as the market contends with elevated housing costs coupled with a median income well below the national average that have created a significant affordability gap for many. However, office-using employment continues to grow with the professional and business services sector up 2.7% year over year as of November 2022.

Residential housing demand continues to climb across the Orlando area, driven largely by strong net in-migration. In fact, the rate of new residents added in Florida between June 2021 and July 2022 ranked the state as first in the nation for population growth. Home prices and multifamily rents appreciated at a record pace with record growth still being achieved as recently as the first quarter of 2022.

Source: CoStar Property

## ORLANDO MSA Office Market



Total Office Space  
103,075,818 SF



Under Construction  
1,381,806 SF



International Companies  
150+

Orlando MSA (Orange, Seminole, Lake & Polk Counties) | Source: CoStar Property

## Quarterly Trends



NET ABSORPTION



VACANCY RATE

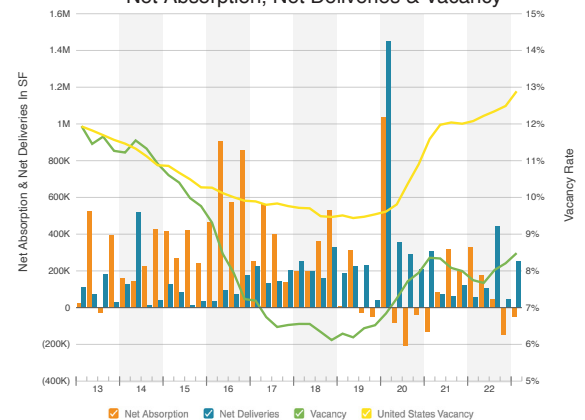


CONSTRUCTION

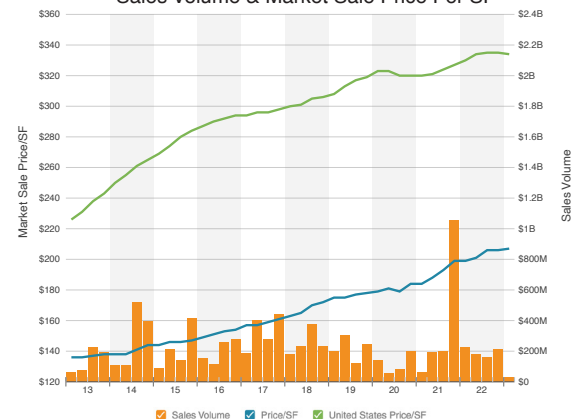


ASKING RATES

### Net Absorption, Net Deliveries & Vacancy



### Sales Volume & Market Sale Price Per SF



### Orlando MSA (Lake, Orange, Osceola & Seminole Counties)

Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Blds	Total RBA	Available SF	Vac %				
436 Corridor	630	4,990,135	182,591	4.5%	101,014	20,000	0	\$25.90
Altamonte/Douglas	459	4,711,917	491,812	10.6%	(23,839)	0	0	\$22.94
Apopka	122	797,567	21,421	2.7%	46,357	0	0	\$26.09
Casselberry	276	2,061,213	123,134	7.6%	13,604	30,889	0	\$23.51
Downtown Orlando	493	13,083,989	1,217,755	9.9%	122,377	(1,667)	0	\$29.23
East Seminole Outlying	94	568,126	16,223	3.3%	19,874	8,800	0	\$23.85
Kissimmee	371	2,945,179	98,714	3.4%	40,063	57,000	6,500	\$26.84
Lake County	1,082	5,878,747	270,635	4.7%	(33,677)	8,770	6,000	\$26.11
Lake Mary	296	8,677,426	1,029,676	13.0%	(431,548)	(19,166)	218,629	\$26.52
Lee Road	140	1,313,535	82,121	6.3%	1,276	0	0	\$23.34
Longwood	195	1,433,713	137,103	9.7%	(29,533)	0	0	\$22.31
Maitland	97	986,074	48,380	5.1%	(20,581)	0	0	\$23.55
Maitland Center	175	7,858,730	1,039,409	14.4%	(64,918)	0	0	\$24.66
Metro West	159	2,177,069	137,241	6.4%	(25,794)	0	0	\$26.40
NW Orange Outlying	50	552,443	19,876	3.9%	22,953	0	26,000	\$21.86
Orlando Airport	44	1,233,954	51,028	4.6%	5,834	0	0	\$27.33
Orlando Central Park	188	4,088,636	559,091	13.9%	43,678	0	0	\$23.08
Osceola Outlying	145	2,887,300	92,180	3.2%	84,069	15,897	6,660	\$32.40
Sanford	256	1,500,665	67,695	4.6%	21,018	0	0	\$20.47
SE Orange Outlying	171	4,304,913	207,826	5.1%	79,740	89,143	449,136	\$36.28
South Orange	393	2,596,589	70,171	2.7%	(19,602)	0	54,000	\$30.07
St. Cloud	119	574,350	7,374	1.3%	(2,037)	0	0	\$27.25
SW Orange Outlying	91	1,396,527	78,717	5.8%	49,597	82,923	37,992	\$35.96
Tourist Corridor	239	9,930,421	747,444	8.0%	(104,153)	0	349,520	\$28.54
University	49	2,137,786	363,732	17.0%	83,874	0	0	\$28.40
University Research	49	3,087,659	223,957	8.3%	55,114	0	68,703	\$26.83
W Seminole Outlying	55	370,945	9,087	3.0%	3,503	0	0	\$21.68
West Colonial	597	3,843,397	298,074	8.0%	90,649	50,750	0	\$27.45
West University	64	1,079,360	112,954	10.7%	(9,949)	0	0	\$28.19
Winter Park	586	6,007,453	165,713	2.9%	283,088	312,292	158,666	\$31.99
<b>Totals</b>	<b>7,685</b>	<b>103,075,818</b>	<b>7,971,134</b>	<b>8.2%</b>	<b>402,051</b>	<b>655,631</b>	<b>1,381,806</b>	<b>\$27.51</b>

CBD	493	13,083,989	1,217,755	9.9%	122,377	(1,667)	0	\$29.23
Suburban	5,660	67,333,879	4,490,005	7.1%	156,209	637,298	1,327,806	\$27.81
Urban	1,532	22,657,950	2,263,374	10.7%	123,465	20,000	54,000	\$25.58

### Brevard, Polk & Volusia Counties (Adjacent)

Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Blds	Total RBA	Available SF	Vac %				
Brevard County	1,814	16,705,213	1,013,281	6.2%	10,720	0	80,000	\$21.05
Polk County	1,703	14,706,363	642,768	4.5%	188,039	161,430	52,648	\$21.33
Volusia County	1,998	14,307,826	701,368	5.1%	89,810	72,022	14,397	\$21.12

### United States

Market	Existing Inventory		Vacancy		12 Month Net Absorption SF	12 Month Delivered SF	Under Const SF	Quoted Rates
	# Blds	Total RBA	Available SF	Vac %				
Entire US	346,244	8,335,996,563	947,808,732	12.5%	(1,970,223)	41,682,815	134,965,184	\$35.19

Period	Asset Value	Vacancy Rate	Availability Rate	Market Rent/SF	Annual Rent Growth	Inventory SF	Under Constr SF	Under Constr %	12 Month Net Absorption SF	Market Price/SF	Sales Volume
2022 4q	\$21.7 B	8.2%	11.6%	\$27.51	2.9%	103.1 M	1.4 M	1.3%	402,051	\$219	\$211.6 M
2022 3q	\$21.7 B	8.0%	11.7%	\$27.48	4.3%	103.0 M	1.3 M	1.3%	749,707	\$182	\$162.2 M
2022 2q	\$21.2 B	7.7%	11.1%	\$27.26	5.5%	102.6 M	1.8 M	1.7%	1,022,589	\$159	\$180.1 M
2022 1q	\$21.0 B	7.8%	11.1%	\$26.98	6.1%	102.5 M	1.5 M	1.5%	930,479	\$189	\$222.8 M